


1973  
annual report

**MONTEREY**

**PETROLEUM CORPORATION (1971) LTD.**



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### *DIRECTORS & OFFICERS*

W. G. McMahon  
President and Director  
J. D. White  
Vice-President and Director  
P. J. McCaffery  
Sec.-Treas. and Director  
F. G. McMahon  
Director  
R. Davis  
Assistant Sec.-Treas.

### *TRANSFER AGENT AND REGISTRAR*

National Trust  
330 - 8th Avenue S.W., Calgary  
Toronto, Montreal, Vancouver

### *BANK*

Bank of Montreal  
Main Branch,  
140 - 8th Avenue S.W.  
Calgary

### *STOCK EXCHANGE LISTINGS*

Toronto Stock Exchange  
Vancouver Stock Exchange  
Canadian Stock Exchange

### *SOLICITORS*

McCaffery and McCaffery  
300, 634 - 6th Avenue S.W.  
Calgary

### *AUDITORS*

Thorne, Gunn & Co.  
1200, Manulife House  
603 - 7th Avenue S.W.  
Calgary

### *EXECUTIVE OFFICE*

#2501 - 1200 - 6th Street S.W.  
Calgary













### To the Shareholders

Your directors take pleasure in presenting the Company's annual report for the year ending November 30, 1973 together with audited Financial Statements and auditors report for the same period.

The past year has been an unsettling one for the oil and gas industry in Canada. Serious problems have arisen between the western provinces and the Federal Government over the Federal Government's imposition of an export tax on oil. In addition, the increasing royalty and tax demands of the provincial governments has our industry watching these developments with a considerable amount of anxiety.

World wide supply difficulties created by the recent middle east war and the resulting oil embargo by several Arab nations has increased the cost of crude oil throughout the world. World authorities on energy matters are now convinced the days of cheap energy sources are over.

The recent price increases for gas deliveries to Alberta and Southern and Transcanada Pipelines will materially enhance the company's present and future revenues. The natural gas reserves we have already discovered will be marketed at steadily rising prices. Higher prices for oil and gas will help offset accelerating explora-

tion costs and to create an improved financial climate which will allow the oil and gas industry to attract the tremendous amount of capital it will require to help solve the energy shortage which presently plagues much of the world.

The current year has been an active year for your company and although there were disappointing aspects of its exploration program, some were productive. The greatest disappointment was the drilling of a dry hole on our South Ricinus acreage where your company made a substantial sour gas discovery last year. Reevaluation of our Seismograph data is in process as well as further evaluation of the original discovery well. We anticipate additional drilling at South Ricinus providing the results of our reevaluation programs are positive.

Your company participated in the drilling of twenty-four wells during the period under review and experienced a twenty five per cent success ratio. Six discoveries were cased as potential gas producers in the Viking area of Alberta.

Four of the twelve discoveries in the Viking project are now on stream and will begin producing revenue for your company during April 1974. A processing plant and pipe line system have been installed at a cost of approx. \$500,000 to facilitate these gas sales. Further development drilling in the future should produce additional reserves and consequently larger sales of gas to your company's interest.

In Dona Ana County, New Mexico your company participated in a record depth (21,700') Ellenburger test. Initially the projected total depth of the #1 Mobil - 32 well was 15,000' although we recognized that, due to a lack of well control in this relatively unexplored basin, the final depth could possibly be somewhat deeper. The test well, in fact, reached a total depth of 21,700', at which point it had not encountered the main objective in the Ellenburger. At this depth we had reached the capacity of the drilling equipment and we were required to temporarily abandon the well.

Since the well failed to reach total depth and due to the fact numerous potential gas zones were encountered, deepening of this hole to approx. 22,500' feet is programmed for 1974. In addition to finding some potential gas zones the #1 Mobil - 32 well encountered a large (700') volcanic intrusive at approx. 14,000 feet which produc-

ed enough constant heat to possibly qualify the zone for Geothermal energy. When the well is reentered this volcanic intrusive body will be extensively tested.

During Feb. 1974 the drilling partners in the above Mobil well purchased 12,417.65 acres of Federal & State Geothermal rights surrounding the well. Your company has a 6% working interest in the #1 Mobil - 32 well, 32,630 acres of petroleum natural gas leases and 12417.65 acres of Geothermal rights.

In April 16, 1973 your company entered into an agreement with M S & W Resources Inc. (A Nevada Corporation) to explore certain mining properties in California and Nevada.

A preliminary exploration program was conducted for Monterey by Wollex Exploration Ltd. during the summer and fall of 1973. Wollex's final report indicates encouraging results on the Bishop and Jarosite claim blocks in California. Ten - five hundred foot percussion drill holes were recommended by Wollex for the Bishop Copper property and 5,200 feet of diamond coring for the Jarosite Copper prospect.

Financing arrangements are now in the final stages and it is anticipated that sufficient funds will be generated to satisfy all of Monterey's operating, petroleum and mining project costs.

Respectfully submitted on behalf of the Board

W. G. McMahon  
President









This sample was recovered from a 50 foot core cut in the Leduc Reef below 14,000' in the Albany Amoco 6-14 Ricinus well. The vugs (porosity) in the rock, are voids left between the fossil coral and skeletal remains of other reef dwellers, which inhabited the area more than 300 million years ago.

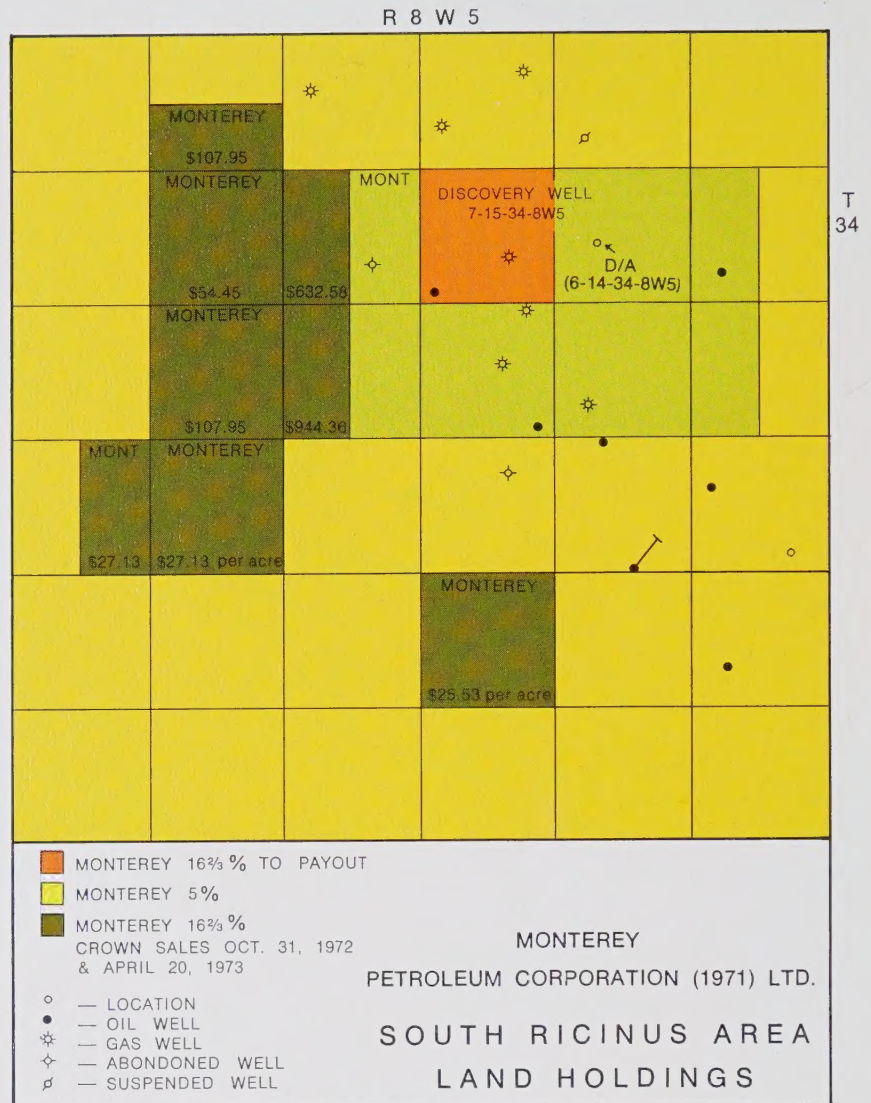
## REPORT ON OPERATIONS

South Ricinus  
Alberta

By virtue of a farmout agreement dated September 8th, 1971, and revised December 7th, 1971, Albany Oil & Gas Co. Ltd. obtained from Amoco Canada Petroleum Company Ltd. certain interests in six sections of crown lease located in Twp. 34., Range 8, west of the Fifth meridian at South Ricinus. By drilling an exploratory test well Albany was entitled to earn a 100% working interest in the test well section, subject to a 15% overriding royalty reserved to Amoco, and a 30% working interest in the balance of the six section block. Amoco will have 30 days in which to elect to convert its 15% royalty to a 70% working interest at such time as the farmees have recovered their costs from the revenues produced by the test well. Monterey subsequently acquired a 6% working interest in the acreage by committing to 20% of the well cost. Provision was made whereby Albany could reduce the Monterey position to a 5% working interest by paying to Monterey one-sixth of Monterey's share of the well costs.

Albany Oil & Gas Co. Ltd. have made the above election leaving Monterey with a 5% working interest in the Amoco farmout.

On October 31st, 1973, Monterey and other partners acquired, in a Crown Reserve sale, three sections of land in the Ricinus area of Southern Alberta for a total consideration of \$560,000. Two of these sections offset the Albany-Amoco Ricinus discovery well. In a subsequent crown reserve sale on April 20th, 1973, Monterey and partners acquired

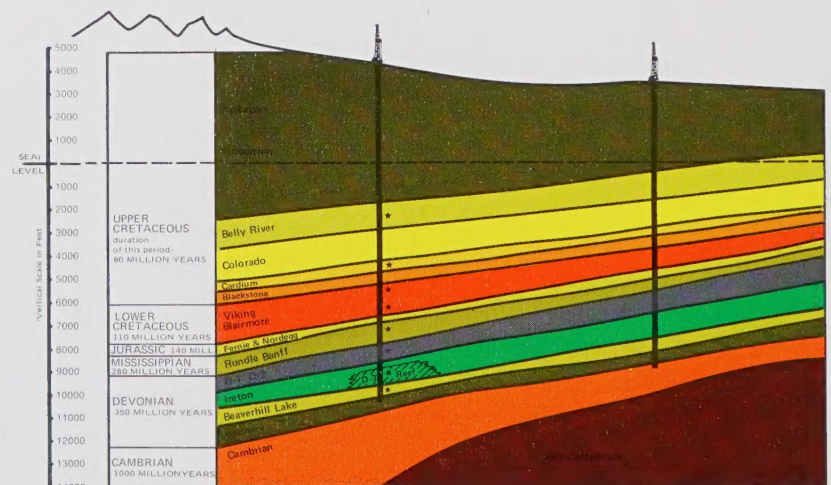


WEST

## GEOLOGIC SECTION RICINUS AREA ALBERTA

EAST

★ Productive or potentially productive formations in this area.





an additional three sections of land at a cost of approximately \$130,000. Monterey holds a 16-2/3% working interest in the two acreage purchases mentioned above. (3,840 acres).

The discovery well, Albany-Amoco Ricinus 2-15 spudded on November 30th, 1971, has now been drilled to the total depth of 14,600' and encountered not less than 200 feet of net pay in the Leduc D-3 reef. The well was logged and completed as a major natural gas discovery in the Leduc D-3 formation.

The calculated absolute open flow of the discovery well is estimated at 460 million cubic feet of gas per day, which is indicative of an excellent reservoir with optimum deliverability. The gas analysis of the well is almost identical to the composition of the West Ricinus field, which produces dry gas with a sulphur content of approximately 30%.

A second well, Albany-Amoco Ricinus 6-14-34-8W5 was drilled to a total depth of 14,408' and was abandoned as a dry hole. The reef was encountered at 13,880' which

was approximately 180 feet lower than in the discovery well. Subsequent reevaluation of the seismograph data indicated a severe easterly drop-off of the reef from the discovery well. A good portion of the remaining acreage to the North, South and West of the discovery well is located on the Leduc Reef. Amoco Canada was the operator of this second test well and paid 70% of the drilling costs. Future drilling at the south Ricinus will depend on the results of the several reevaluation programs in progress.

## UNITED STATES DRILLING VENTURES

### *Avalanche Prospect, Chaves County, New Mexico*

Monterey obtained a 12½% working interest in the J. P. White, No. 2 Devonian test well from Grimm Oil Company of Abilene Texas. The well was drilled to 7,900' on 2,050 acres, but failed to find commercial production.

### *North Caesar Prospect, Bee County, Texas*

The North Caesar Prospect was drilled by Pacific Petroleum, Inc. of Houston, to a depth of 3,200'. Monterey's interest was a 2½% working interest. Commercial production was not found.

### *Tivoli Prospect, Calhoun & Refugio Counties, Texas (1,937.10 acres)*

Monterey purchased a 10% working interest in the drill site and 5% interest in the remainder of the acreage for a turn key fee of \$5,000. The Tivoli well was drilled to a total depth of 7,800' but failed to encounter commercial production. Pacific Petroleum, Inc. were the operators of this project.

### *MOREE PROSPECT*

#### *New South Wales, Australia*

Monterey participated in two Hutton sandstone test wells, Moree #1 and Moree #2, in the southern sector of the oil and gas producing Surat Basin on a 3,526,400 acre spread. Both tests failed to find commercial production, consequently, the farmout lands were relinquished.



## LAS CRUCES PROSPECT

Dona Ana County, New Mexico

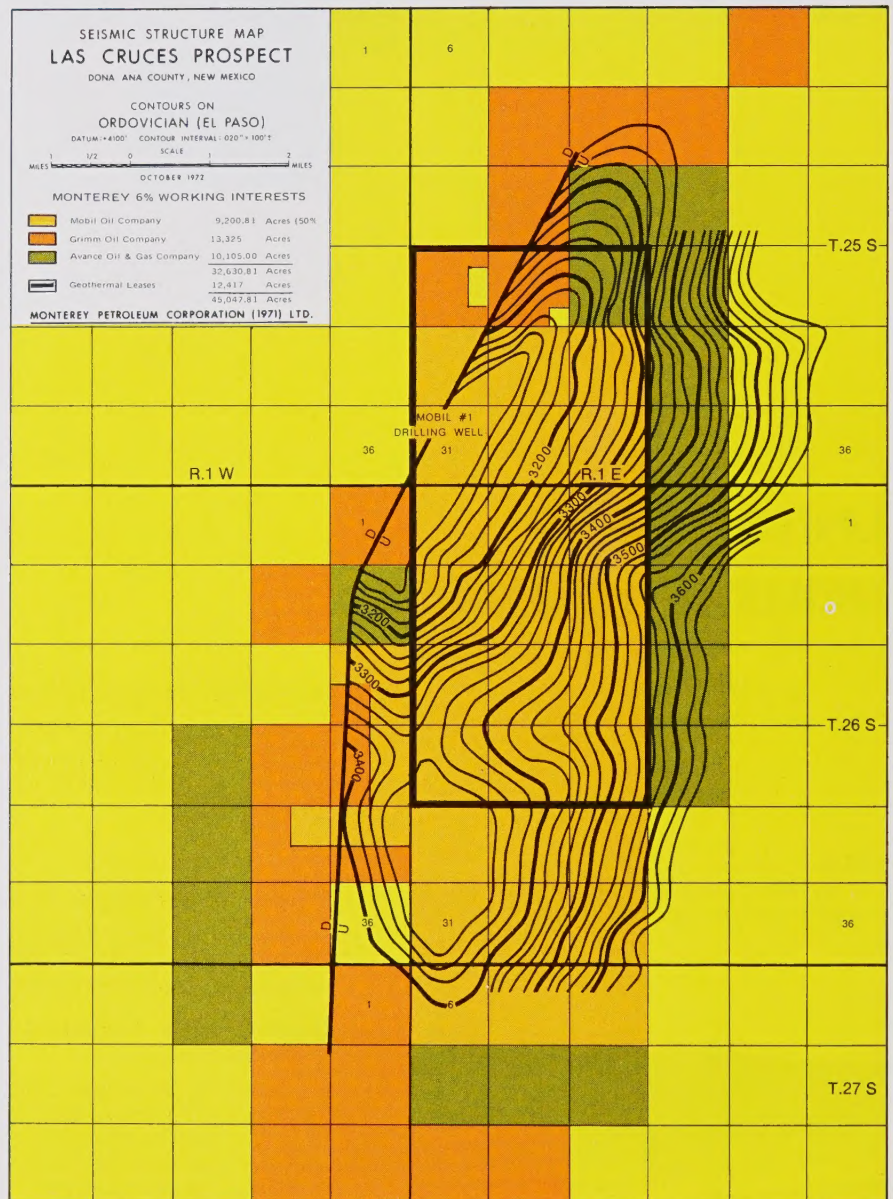
Monterey participated in a 21,700' exploratory test which is on a 32,630 acre landspread in Dona Ana County, New Mexico.

The test was drilled in Section 32, Township 25, South, Range 1, East, on a structure developed from a seismic program recently completed in the area. The seismic data indicates a north-south trending anticline that is faulted on the west side by a normal fault and that there is in excess of 1,000' of closure on the structure.

The well encountered four porous sand zones between 12,500' and 13,800'. Methane gas was recorded numerous times while tripping. Several attempts to test these zones resulted in misruns, because of packer failure.

Initially, the projected total depth of the #1 Mobil - 32 well was 15,000' although we recognized that, due to a lack of well control in this relatively unexplored basin, the final depth could possibly be somewhat deeper. The test well, in fact, reached a total depth of 21,700', at which point it had not encountered the main objective in the Ellenburger. At this depth we had reached the capacity of the drilling equipment and we were required to temporarily abandon the well. Since the well failed to reach total depth and due to the fact numerous potential gas zones were encountered, deepening of this hole to approximately 22,500', is programmed for 1974. In addition to finding some potential gas zones, the #1 Mobil - 32 well encountered a large (700') volcanic intrusive at approximately 14,000 feet which produced enough constant heat to possibly qualify the zone for Geothermal energy. When the well is reentered this volcanic intrusive body will be extensively tested.

During February, 1974, the drilling partners in the above Mobil well, purchased 12,417.65 acres of Federal & State Geothermal rights surrounding the well. Your Company has a 6% working interest in



the #1 Mobil - 32 well, 32,630 acres of petroleum natural gas leases and 12,417.65 acres of Geothermal rights. Grimm Oil Company of Abilene, Texas is the operator.

There are natural gas pipeline facilities in the immediate area, and if production is found the gas can be marketable at an early date at very favourable price levels.





View of El Paso Compressor station from #1 Mobil - 32 well site.



#1 Mobile - 32  
Dona Ana County, New Mexico  
(Total Depth 21,700')



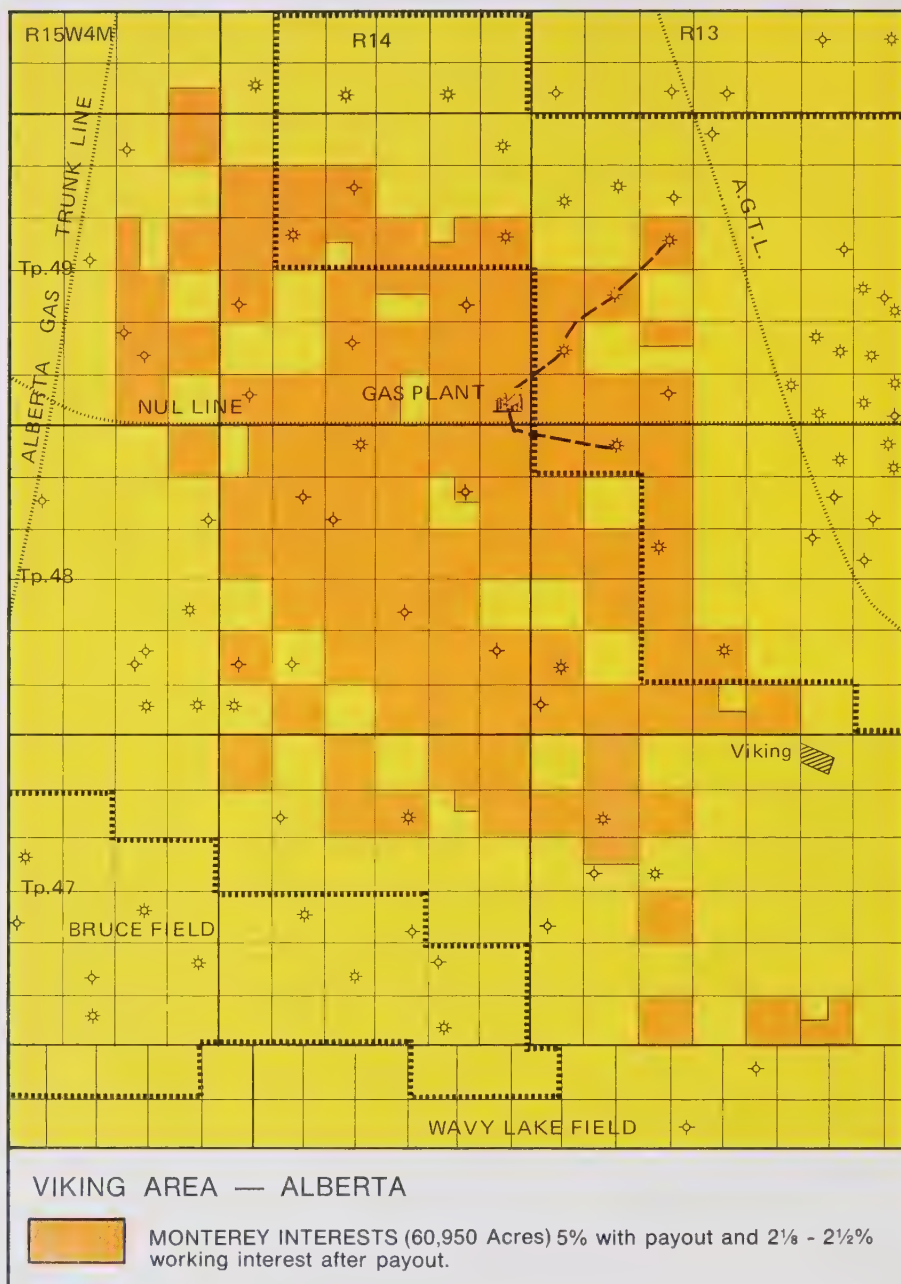
## VIKING AREA Central Alberta

Your Company acquired a 5% working interest in a six-well program on 36,480 acres in the Viking area by contributing 6% of the well costs.

Five of the six wells encountered gas reservoirs and have been completed for the taking of production. The sixth well has been abandoned. After recovering costs of the producing wells, Monterey's interest will be reduced to 2½%.

A second farmout in the same area has been negotiated with Pan Canadian Petroleum Ltd., and under this agreement Monterey has earned 4.25% in seven drill sites, (seven sections) on the 38 section block of land. After payout, Monterey's working interest will be reduced to 2.125% on the well location acreage and 2.125% in the remaining 31 sections. The seven commitment wells have been drilled and all were completed as potential gas producers. An additional five wells were drilled, but failed to find commercial gas production.

Four of the twelve discoveries in the Viking project are now on stream and will begin producing revenue for your company during April 1974. A processing plant and pipe line system have been installed at a cost of approximately \$500,000 to facilitate these gas sales. Further development drilling in the future should produce additional reserves and consequently larger sales of gas to your company's interest.



## PAN OCEAN CAROLINE WELL

ALBERTA

The Company participated in the drilling of a 13,000' Beaverhill Lake well in Lsd. 8 of section 1-35-6-West of the Fifth Meridian in the Caroline area of central Alberta. The well was dry and abandoned at a cost of \$24,000 to the Company, and Monterey earned a 10% working interest in the well and a 5% working interest in 6,560 lease acres. Further activity is not anticipated on this land, although the area is receiving increased attention by other oil companies.



## MINING

### CALIFORNIA NEVADA

Your company entered into an agreement with M S & W Resources Inc., a Nevada Corporation, to explore three separate mining claim groups. (281 claims in total). Monterey can earn a 20% individual interest in all the claims by expending \$300,000 over a 15 month period ending July, 1975. The three properties consist of the Jarosite group — (Copper, Molybdenum and Garnet) located near Death Valley, California. The Bishop group (copper, gold, lead, silver, limestone) located near Bishop, California; and the Cherokee group — (diatomaceous earth) located near Tonopah, Nevada.

#### Jarosite Copper

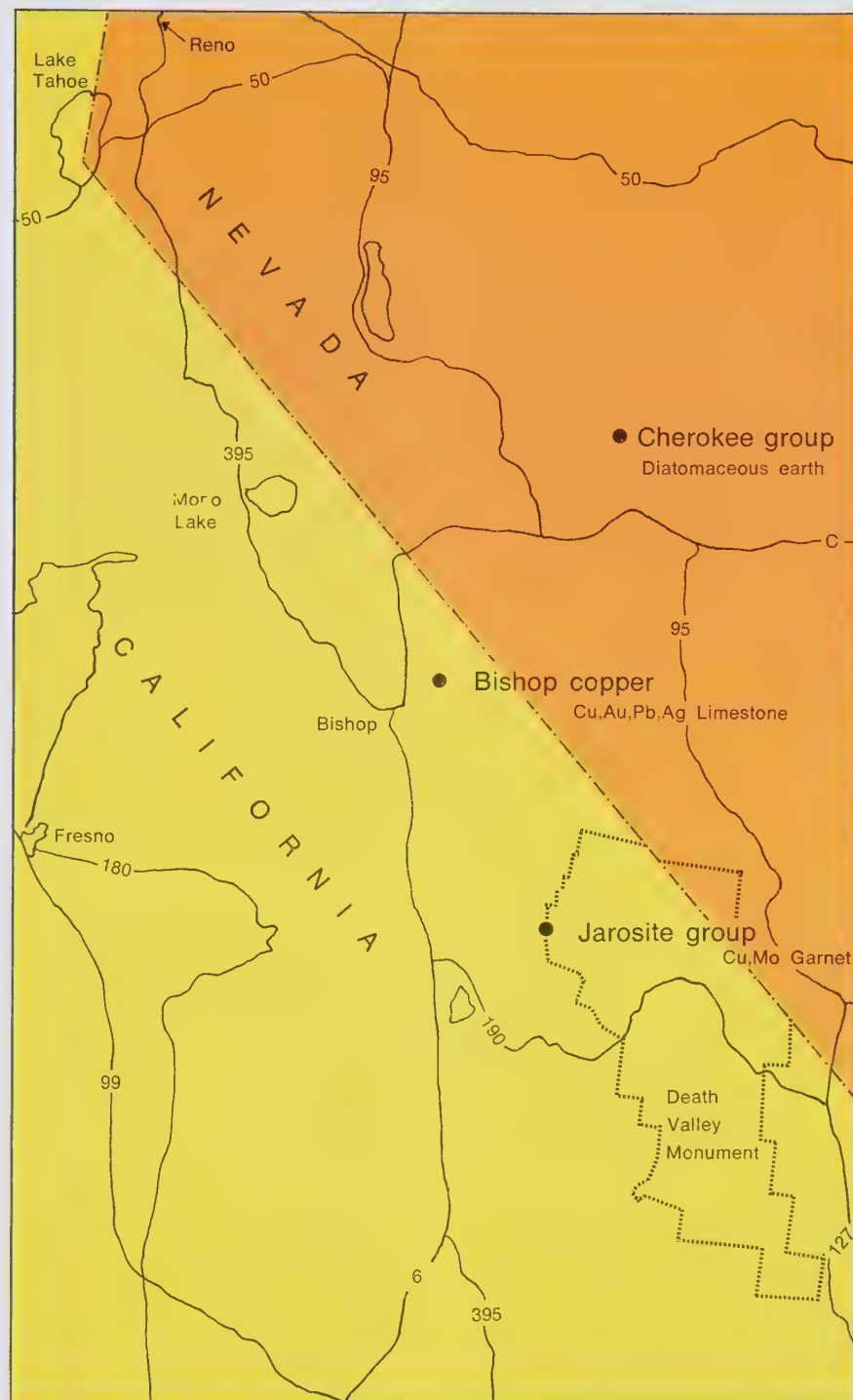
(84 lode claims and 3 apex claims).

The Jarosite property is a copper-molybdenum and garnet prospect located near the western boundary of the Death Valley Monument. The geology and mineralization of the property indicate a high grade, low tonnage Tactite deposit.

Diamond drilling and Induced Polarization surveys were carried out by M S & W Resources, Inc. during the spring of 1971. Twelve diamond holes totalling 3,603 feet were drilled.

The following statements have been taken from Wollex Exploration Ltd.'s Report dated January, 1974.

"The Jarosite property has not been adequately evaluated to date. The presence of over 540,000 tons of approximately 1.3 copper and 0.13 molybdenum and the high probability of outlying additional ore grade material warrants further expenditures on the property".

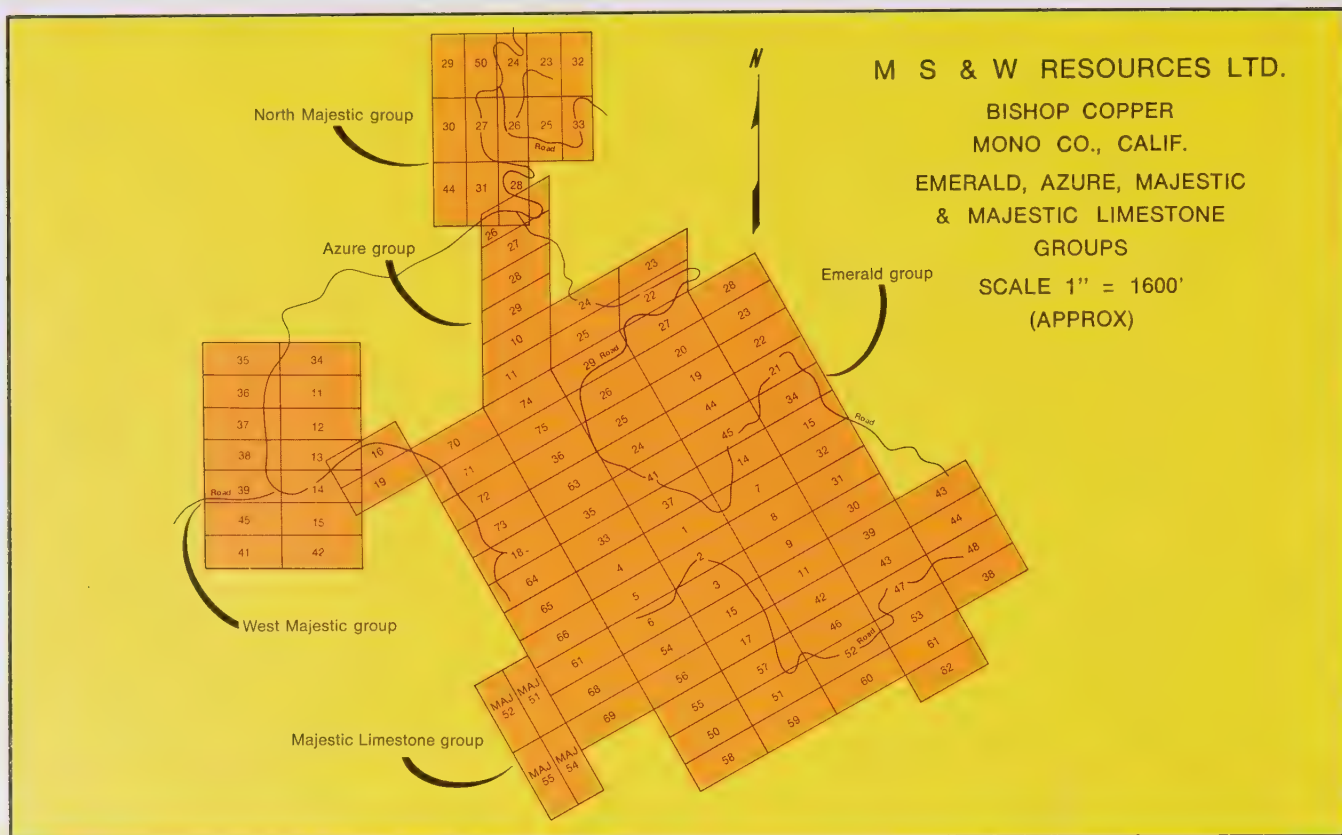


"It is reasonable to expect a minimum of an additional 500,000 tons to be outlined. Additional tonnage is also expected between the lower and upper occurrences. Therefore, a minimum of 1 - 1.5 million tons averaging approximately 1.3 copper and 0.13 molybdenum is indicated within the 1,100 foot strike length."

Wollex Explorations has

recommended 5,200' of diamond drilling. If the program is successful in establishing an additional 1.5 million tons of copper equal to the present grade, then a milling operation would be feasible. Drilling and helicopter platforms were constructed by Monterey last summer in order to facilitate the above recommended drilling program.





## BISHOP — COPPER — LIMESTONE (156 claims)

### Copper Area

Exploration during the period 1865 - 1920's resulted in numerous addits and shafts being excavated, the longest of which are 1,500 feet and 400 feet respectively. No records of production have been noted, although it is known that several carloads of approximately .3 oz. per ton gold have been shipped.

Apart from the limestone potential of the property, two types of mineralization occurs on the property: Gold-Silver quartz veins and copper - gold - silver associated with the intrusions.

Samples collected for assay from old quartz vein workings contained from 0.38 - 9.12 oz. silver per ton and trace to 1.100 oz. gold per ton. The quartz veins are from a few inches to ten feet thick, however, it appears that the early mining took place only along veins from one to two feet in width.

Four churn drill holes totalling 1750 feet were drilled in 1969 by M S & W Resources, Inc., as well as some bulldozer trenching.

An Induced Polarization (I.P.) survey was conducted by McPhar Geophysics, Inc. of Tuscon, Arizona in April, 1970. This survey produced a large boot-shaped

anomaly approximately 3,000' long by 1,000' wide.

Extensive surface trapping, a ground magnetometer survey, surface sampling and an ULF-EM electromagnetic survey was conducted in 1973 by Wollex Explorations Ltd.

"The large boot-shaped I.P. anomaly occurs immediately east of the major structural feature interpreted as a thrust fault. According to the interpretation made by McPhar Geophysics who conducted the survey, the anomaly is deep (i.e. approximately 1,500 - 2,000'). It is possible that the anomaly is due to primary sulphide mineralization associated with an intrusive body at depth and that the surface mineralization represents the upper level of sill and dyke bodies derived from the intrusion."

Ten five-hundred-foot percussion holes are recommended by Wollex. These preliminary test holes will be drilled during the ensuing summer months.

### Limestone Deposit

A total of fourteen diamond holes were completed to test the limestone and the  $\text{CaCO}_3$  content assayed. The samples were tested under the supervision of Clifford J. Lewis at the F.M.C. Glass Technology Laboratories in the Colorado School of Mines Research Institute.

"Each analyzed .98% or better.  $\text{CaCO}_3$ , when calcined, converted to a hard pebble quicklime and did not decrepitate. With regard to non-decrepitation, the samples also met glass industry standards. In brief, this stone is as good as any I have seen during my experience in the limestone and lime industry, stated Mr. C. J. Lewis."

Limestone of this quality is utilized in the steel industry (quicklime for fluxing purposes); mining industry uses pebble lime for chemical processing; roofing and other building supplies for whitening or filler; sugarbeet industry (kilnstone); the Glass industry uses it for their Glass furnaces; quicklime or hydrated lime is used for soil stabilization in highway building, sewage treatment, gas scrubbing and miscellaneous chemical applications.

There is approximately 25 million tons of limestone presently available on the Bishop property. It is apparent, however, from the general geological structure that drilling of these four blocks would ultimately establish reserves well in excess of 100 million tons.

The Bishop limestone property is basically a marketing problem more so than the quality or tonnage available. In the years to come, we anticipate building a lime plant to process and market this deposit.





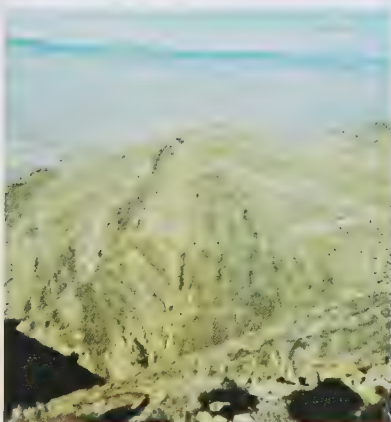
View of Sierra Nevada Mountains from Bishop property,  
situated in the White Mountain range



Casing - Bishop Property



View of White Mountains  
from Valley floor



Bishop Claims



Surface Mineralization - Bishop



Surface Copper Samples - Bishop



## COALDALE AREA

### Lethbridge

The company entered into an agreement with Sulpetro of Canada Limited involving the drilling of twelve exploratory wells in the Lethbridge-Coaldale area of Southern Alberta. This 229,000 acre farmout was obtained from Pan Canadian Petroleum. Under the first phase of the agreement Monterey provided one-fourth of the costs of the program to earn a net one-eighth interest in 144 sections.

To date, the twelve commitment wells have been drilled, with four completed as potential gas producers. Four additional wells were drilled but failed to find commercial production. Development drilling in the four discovery areas will be carried out during 1974.

A very significant Petrochemical

development has been announced for the Coaldale-Lethbridge area. The Daily Oil Bulletin of March 15th, 1974, published the following details:

"The world's largest fertilizer complex will soon be constructed in southern Alberta. Exact location has not as yet been determined as three to four locations are still under study. It will, however, be located within a twenty mile radius of Lethbridge."

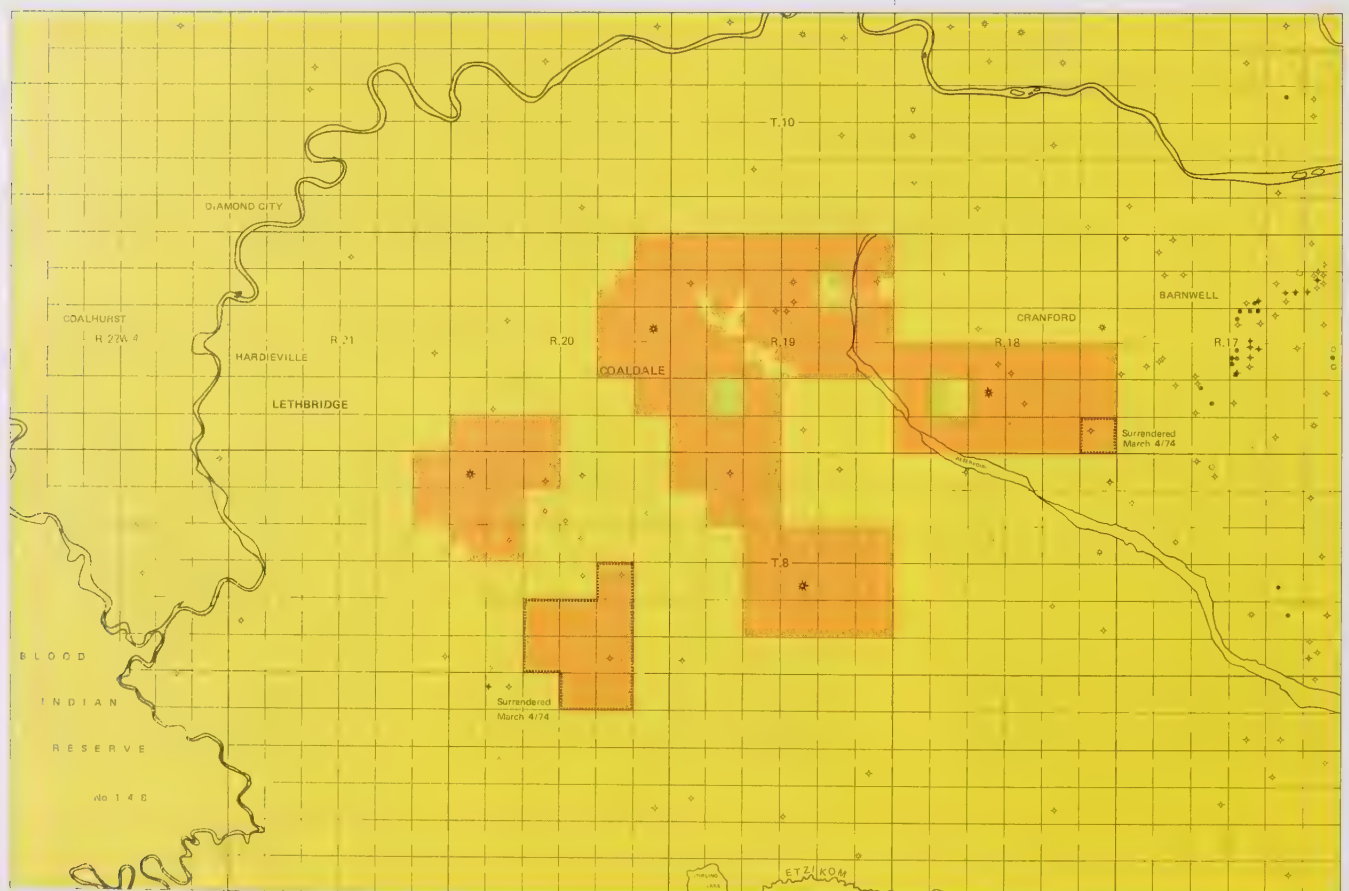
"In the case of Alberta Ammonia the gas producers involved in contracts with the petrochemical firm will firstly receive an assured fair price for their gas and the producer can expect a greatly improved price as plant facilities are paid out. Although no base prices were announced at today's press conference, it was noted that the initial price would meet all specifications of the Alberta Government as to fair commodity value and after payout the price could be three to four times the prices being paid for gas under conventional contract."

"The project is estimated to cost 325 million and will consist of four

plants producing 5,000 tons per day of anhydrous ammonia and a 1,200 mile ammonia pipeline to the heartland of the United States. Two of the plants are projected to come on stream in 1976 with the other two to be under construction at that time."

"Representatives of Alberta Ammonia Ltd., a wholly owned Canadian company headquartered in Calgary, in conjunction with Great Basins Petroleum Ltd., Sulpetro of Canada Ltd., and Canadian Western Natural Gas Ltd., suppliers of natural gas for the project and officials of Farm and Industries Inc., a U.S. farm supply manufacturing and marketing co-operative, called the plans for construction of the four plants a "hands across the border" project benefitting both countries."

"Duncan Sim, President of Alberta Ammonia Ltd., noted that Farmland Industries is the world's largest producer of nitrogen fertilizer. He said, "Farmland's expertise and established marketing system provides an opportunity for sound orderly growth in Canada's nitrogen fertilizer production."



MONTEREY INTEREST LANDS 58,560 ACRES WORKING INTEREST 12 1/4 %.



## ACREAGE, EXPLORATION AND DRILLING RECORD 1972 - 1973

Areas	Working Interest	Gross Acreage	Net Acreage	Number Wells Drilled	Temporarily Suspended Well	Oil	Gas	Dry
<b>ALBERTA</b>								
1. South Ricinus (A)	5%	3,840	192	2			1	1
(B)	16 2/3%	3,840	640					
2. Viking (A)	2 1/2%	36,480	912	11			5	6
(B)	2 1/8%	24,480	520	7			7	0
3. Lethbridge-Coaldale	12 1/2%	58,560	7,320	16			4	12
4. Caroline	5%	6,560	328	1				1
<b>UNITED STATES and other</b>								
1. Dona Ana, New Mexico	6%	32,630	1,957	1	1			
2. Geothermal Leases- New Mexico	6%	12,417	744					
3. Australia				2				2
4. Tivoli, Texas	5%	1,937	97	1				1
5. North Caesar, Texas	2 1/2%	1,392	35	1				1
6. Avalanche, New Mexico	12 1/2%	2,080	360	1				1
<b>TOTALS</b>		<b>184,216</b>	<b>13,105</b>	<b>43</b>	<b>1</b>		<b>17</b>	<b>25</b>
Success Ratio	(a) 39.5% over past two years. (b) 25% for the past year.							

## FINANCIAL HIGHLIGHTS

During 1972 and 1973, the Company raised the net sum of \$791,250 by virtue of the following four underwriting arrangements:

1. February 1972 A Best-Efforts offering of 1,350,000 Class A shares at 25¢ per share was successfully completed through the auspices of Midland-Osler Securities Ltd. of Calgary, netting the treasury \$326,250 after commissions.
2. May 1972 Hemsworth, Turton & Co. Ltd., jointly with Carlisle, Douglas & Co. Ltd., underwrote 200,000 Class A common shares at 35¢ per share netting the treasury \$70,000.
3. July 1972 Hemsworth, Turton & Co. Ltd., of Vancouver underwrote 600,000 Class A common shares at 25¢ per share and 200,000 Class A common shares at 30¢ per share netting the treasury \$205,000 after commissions. The underwriter was also granted a 90 day option from July 27th, 1972 to take down a further 200,000 Class A common shares at 35¢. This option was subsequently exercised by Hemsworth, Turton & Co. Ltd. at a net gain of \$70,000 to the Monterey treasury.
4. February 1973 Canarim Investment Corporation Ltd., of Vancouver underwrote 200,000 Class A common shares at 60¢ per share netting the treasury \$120,000.

## CORPORATE

A special resolution registered September 17th, 1971, changed the name of the Company to Monterey Petroleum Corporation (1971) Ltd., and effected certain changes in the capital structure of the Company. The original outstanding share capital of 4,200,000 was reduced to 420,000 Class A shares, and the authorized capital became 20 million shares without nominal or par value. 10,000,000 of which are Class A participating voting shares and 10,000,000 of which are Class B participating non-voting shares.

The maximum consideration for which the present authorized capital of the Company can be issued is \$5,-000,000. The approvals of the Calgary Stock Exchange and the Alberta Securities Commission were duly received for this capital re-organization.

We are pleased to report that your company's shares are now listed on the Toronto as well as the Vancouver and Canadian Stock Exchanges. The Calgary Stock Exchange listing has been voluntarily terminated. The Toronto listing will provide a much broader distribution of Monterey's shares.







# **1973 FINANCIAL STATEMENTS**



# MONTEREY PETROLEUM CORPORATION (1971) LTD.

(Incorporated under the laws of Alberta)

## Balance Sheet — November 30, 1973

(with comparative figures at November 30, 1972)

### ASSETS

	1973	1972
<b>CURRENT ASSETS</b>		
Cash .....	\$ 7,716	\$ 50,120
Accounts receivable .....	833	1,049
Prepaid expenses .....	2,000	—
	<u>10,549</u>	<u>51,169</u>
<b>OTHER ASSETS</b>		
Drilling deposits .....	<u>2,501</u>	<u>3,501</u>
<b>PROPERTY AND EQUIPMENT, at cost (note 1) .....</b>	<b>1,031,951</b>	<b>711,655</b>
Less accumulated depreciation and depletion .....	<u>10,970</u>	<u>10,118</u>
	<u>1,020,981</u>	<u>701,537</u>
	<u><b>\$1,034,031</b></u>	<u><b>\$ 756,207</b></u>

### LIABILITIES

<b>CURRENT LIABILITIES</b>		
Bank advances, unsecured .....	\$	\$ 94,000
Accounts payable and accrued liabilities .....	<u>119,497</u>	<u>88,263</u>
	<u>119,497</u>	<u>182,263</u>
<b>LONG-TERM DEBT (note 2) .....</b>	<b><u>417,000</u></b>	

### SHAREHOLDERS' EQUITY

<b>CAPITAL STOCK (notes 3 and 4)</b>		
Authorized		
10,000,000 Class A voting shares without par value		
10,000,000 Class B non-voting shares without par value		
Issued		
3,350,185 (3,088,648 at November 30, 1972) Class A shares .....	1,810,480	1,650,480
<b>DEFICIT .....</b>	<b><u>1,312,946</u></b>	<b><u>1,076,536</u></b>
	<u>497,534</u>	<u>573,944</u>
	<u><b>\$1,034,031</b></u>	<u><b>\$ 756,207</b></u>

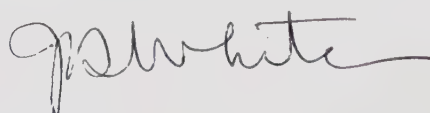
SUBSEQUENT EVENT (note 4)

Approved by the Board

Director



Director





# MONTEREY PETROLEUM CORPORATION (1971) LTD.

(Incorporated under the laws of Alberta)

## Statement of Income

Year Ended November 30, 1973  
(with comparative figures for 1972)

	1973	1972
Revenue		
Sale of oil, net .....	\$ 120	\$ 292
Interest and royalty .....	749	1,621
Sale of drilling incentive credits .....	<u>17,420</u>	<u>—</u>
	<u>18,289</u>	<u>1,913</u>
Expenses		
Prospectus, listing, and transfer agent .....	18,960	27,901
Business development .....	4,689	2,839
Financing .....	11,541	10,397
Professional fees .....	28,350	12,659
Salaries .....	28,398	4,940
General and administrative .....	29,268	18,592
Exploration and development .....	10,059	4,155
Interest on long-term debt .....	27,590	—
Dry hole costs .....	94,991	28,783
Depreciation and depletion .....	<u>853</u>	<u>626</u>
	<u>254,699</u>	<u>110,892</u>
LOSS FOR THE YEAR .....	<u>\$ 236,410</u>	<u>\$ 108,979</u>
LOSS PER SHARE, based on a weighted average of shares outstanding during the year .....	<u>\$ .07</u>	<u>\$ .06</u>

## Statement of Deficit

Year Ended November 30, 1973  
(with comparative figures for 1972)

	1973	1972
Deficit at beginning of year .....	\$1,076,536	\$ 967,557
Loss for the year .....	<u>236,410</u>	<u>108,979</u>
DEFICIT AT END OF YEAR .....	<u>\$1,312,946</u>	<u>\$1,076,536</u>

# MONTEREY PETROLEUM CORPORATION (1971) LTD.

(Incorporated under the laws of Alberta)

## Statement of Source and Application of Funds

Year Ended November 30, 1973  
(with comparative figures for 1972)

	1973	1972
<b>SOURCE OF FUNDS</b>		
Issue of shares (note 3) . . . . .	\$160,000	\$671,250
Joint venture costs recovered (note 1) . . . . .	74,408	—
Bank advances . . . . .	417,000	—
Drilling deposit refunded . . . . .	1,000	—
	<u>652,408</u>	<u>671,250</u>
<b>APPLICATION OF FUNDS</b>		
Loss for the year . . . . .	236,410	108,979
Deduct depreciation and depletion which do not involve current funds . . . . .	<u>853</u>	<u>626</u>
Funds applied to operations . . . . .	235,557	108,353
Additions to property and equipment . . . . .	<u>394,705</u>	<u>686,239</u>
	<u>630,262</u>	<u>794,592</u>
 INCREASE (DECREASE) IN WORKING CAPITAL DEFICIENCY . . . . .	 (22,146)	 123,342
 WORKING CAPITAL DEFICIENCY AT BEGINNING OF YEAR . . . . .	 <u>131,094</u>	 <u>7,752</u>
 WORKING CAPITAL DEFICIENCY AT END OF YEAR . . . . .	 <u>\$108,948</u>	 <u>\$131,094</u>



# MONTEREY PETROLEUM CORPORATION (1971) LTD.

(Incorporated under the laws of Alberta)

## Notes to Financial Statements

Year Ended November 30, 1973

### 1. PROPERTY AND EQUIPMENT

	1973		1972	
	Cost	Accumulated Depreciation and Depletion	Net	Net
Petroleum properities				
Leases .....	\$ 165,014	\$ 548	\$ 164,466	\$ 94,926
Development costs .....	744,164	6,526	737,638	543,201
Unallocated advances to operators ...	24,964	—	24,964	—
Production equipment				
Producing .....	3,355	3,355	—	13
Non-producing .....	49,405	—	49,405	54,695
	<u>986,902</u>	<u>10,429</u>	<u>976,473</u>	<u>692,835</u>
Mining properties				
Mining claims .....	7,500		7,500	7,500
Development expenditures .....	33,471		33,471	—
	<u>40,971</u>		<u>40,971</u>	<u>7,500</u>
Office equipment .....	4,078	541	3,537	1,202
	<u>\$1,031,951</u>	<u>\$10,970</u>	<u>\$1,020,981</u>	<u>\$701,537</u>

Depreciation on producing production equipment and office equipment is provided on a straight-line basis at an annual rate of 10%. Depletion and depreciation on a significant portion of the lease, development and non-producing production equipment will be provided when production commences. Non-productive property costs are charged to income when the properties are surrendered.

Under the terms of a farmout agreement the operator exercised a right to convert an overriding royalty to a working interest. Petroleum property lease and development costs have been reduced by \$74,408, the amount received by the company.

By agreement with a Nevada corporation the company can acquire a 20% interest in mining claims held by the corporation by conducting, prior to July 15, 1974, an exploratory program costing not less than \$300,000. At November 30, 1973 the company had expended approximately \$26,000.

### 2. LONG-TERM DEBT

The company has obtained a line of credit from a bank in the amount of \$417,000. Advances are secured by the company's interest in production proceeds from certain petroleum properties. The company is required to make interest payments only until December 31, 1974. Payments on principal and interest are to extend over a three year period commencing January 1, 1975.

### 3. CAPITAL STOCK

During the year Class A shares were issued as follows:

	Shares	Amount
For cash .....	200,000	\$120,000
For petroleum properties .....	<u>61,538</u>	<u>40,000</u>
	<u>261,538</u>	<u>\$160,000</u>

At November 30, 1973 directors of the company held options on 175,000 Class A shares of the capital stock of the company exercisable on a cumulative basis as follows:

Number of share	Exercisable at	Before
116,666	\$ .75	April 2, 1974
<u>58,334</u>	<u>1.00</u>	<u>April 2, 1975</u>
<u>175,000</u>		

### 4. SUBSEQUENT EVENT

The company is preparing to offer up to 1,000,000 Class A common shares without par value by means of a fixed price offering through the facilities of the Toronto, Montreal and Vancouver Stock Exchanges. The offering will provide the company with a minimum of \$195,000.

### 5. INCOME TAXES

The company reflects in the accounts depreciation and depletion in excess of capital cost allowances, lease acquisition costs and development costs claimed for tax purposes. There are no income taxes currently payable and costs available to apply against future income for tax purposes exceed amounts reflected in the account by approximately \$1,000,000 (\$700,000 at November 30, 1972).

### 6. STATUTORY INFORMATION

	1973	1972
Number of directors .....	4	4
Aggregate remuneration of directors as directors .....	Nil	Nil
Number of officers .....	2	2
Aggregate remuneration of officers as officers .....	\$22,000	Nil
Number of officers who are also directors .....	2	2

### 7. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the basis of presentation adopted for 1973.



Thorne  
Gunn  
& Co.

CHARTERED ACCOUNTANTS

## AUDITORS' REPORT

To the Shareholders of  
Monterey Petroleum Corporation (1971) Ltd.

We have examined the balance sheet of Monterey Petroleum Corporation (1971) Ltd. as at November 30, 1973 and the statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at November 30, 1973 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta  
February 19, 1974

*Thorne Gunn & Co.*  
Chartered Accountants







